Press release September 21st, 1999

The new company will produce electric and electronic components for gas cooking appliances

SABAF:
BSPARKS is born
a joint-venture with the SIBER group

During the first half of 1999 Sabaf's net income increased by 15.7%
EBIDTA grew to 34.3% of net sales

The Board of Directors of SABAF SpA, Italian company and world leader for the manufacture of components for domestic gas cooking appliances, announced today a joint-venture, which will be named BSPARKS, with SIBER SpA, a company located in Roncadelle (Brescia, Italy) and leader for the manufacture of electric and electronic components.
The agenda of the Board of Directors also included the approval of the Report on operations for the first half of 1999.

Joint venture BSPARKS

SABAF SpA announced a joint-venture with SIBER SpA, leader for the manufacture of electric and electronic components, marketed to several industries (domestic appliances, automotive, information technology, precision equipment). SIBER SpA is the holding of a multinational group, with net sales of some 300 bn Lire in 1998.

In detail, the agreement will establish a new company, BSPARKS, with an initial share capital of 6 bn Lire, owned 50% by SABAF SpA and 50% by SIBER SpA.
BSPARKS will specialise in the manufacture of electric and electronic components for gas cooking appliances, for example electronic ignition devices: in effect integrating the technological know-how of both groups. The agreement will lead to the common development and production of highly technological electronic components, while maintaining profitable margins.

The initial phase production will take place at SIBER's plants, located in Italy, Germany and China. These components will be made with machinery, equipment and patents property of the joint-venture. In addition to its range of mechanical components (valves, thermostats and burners for gas cooking appliances), SABAF will be in charge of marketing the electric and electronic components by BSPARKS. The new products will be specially designed for maximising the performance of SABAF's gas components.
Production and sales will start in the beginning of 2000.

As far as the agreement's impact on SABAF's revenues and margins is concerned, BSPARKS's business is expected to total approximately 20% of SABAF's sales by the year 2001. After a start-up phase, consisting of a global promotion strategy, benefits from scale economies of the new joint investments will guarantee profit margins in line with those currently achieved at SABAF.

The agreement also represents a definite advantage from the point of view of the customers of the two groups, especially for larger multinational gas cooking appliance manufacturers like BOSCH, ELECTROLUX, GENERAL ELECTRIC, MERLONI, and WHIRLPOOL, who will be provided with a sole partner qualified to for the supply of two complete and complementing product ranges. Integrated from the beginning, the development of products will be personalised according to each producer's requirements.

"*The strategic alliance initiated with the SIBER group*", Angelo Bettinzoli (SABAF's Managing Director) declared, "*stems from common objectives regarding development, as well as a shared vision guaranteeing, through technology and state-of-the-art production processes, high quality finished products. In addition, the agreement responds to market demands for high quality components for domestic gas cooking appliances, both mechanical and electrical*."

"*For SABAF*," Angelo Bettinzoli continued, "*the joint-venture represents an important growth opportunity: In fact, SABAF will further strengthen its positioning in the industry, offering principal cooking appliance manufacturers, a more complete range of components and integrated solutions*."

SABAF's performance during the first half of 1999

The first half of 1999 ended positively for the SABAF group, in particular from the point of view of increased income margins.

The consolidated net income, in fact, increased by 15.7% reaching 7.2 billion lire, against 6.2 billion recorded during the same period of 1998. The consolidated cash flow (net income + amortisation and depreciation + deferred tax provision) equalled 14.1 billion lire (11.7 billion lire in June, 1998).

The value of production increased by 9%, to 57.7 billion lire against 52.9 billion lire in the first half of 1998. Sales totalled 54.6 billion lire, showing an increase of 5.9% compared to 51.6 billion in the first half of 1998. Value added equalled 30.1 billion lire (27.7 billion in June, 1998).

The gross operating margin increased significantly, reaching 18.7 billion (growing 9.2% with respect to 17.1 billion during the first half of 1998), and totalling 34.3% of sales (33.2% on the 30th of June, 1999).

After amortisation and depreciation totalling 5.7 billion lire, 22% more than the same period of 1998, linked to an investment strategy to increase production capacity and efficiency, the operating income reached 12.5 billion lire, with respect to the 11.9 billion lire reported during the first half of 1998.

The financial position of the Group shows the shareholders' equity of 73.3 billion lire, against 66.3 billion during June 1998, and net debt of 5.9 billion lire, against 170 million on June 30th, 1998.

As far as SABAF S.p.A. is concerned, the value of production equalled 57.7 billion lire, against 52.9 reported during the first half of 1998. Net sales reached 54.6 billion lire on June 30th, 1999 (51.6 billion on June 30th, 1998). Value added totalled 28.6 billion lire (26.3 last June). The gross operating margin equalled 17.3 billion lire against 15.7 billion lire on the 30th of June 1998. Net operating margin totalled 9.2 billion (9.7 billion in June, 1998), while net income reached 5.4 billion against 5 billion on June 30th, 1998. Cash flow (net income + amortisation and depreciation + deferred tax provision) equalled 12.8 billion (10.5 in the first half of 1998).

At present, SABAF sells 49% of their products in Italy, and 51% in markets abroad, of which 37% in Europe (UE and Extra UE). The remaining 14% is sold in the rest of the world.

"The results reached during the first semester," Bettinzoli declared, "in view of recent economic difficulties, were reached thanks to extremely positive sales to Extra European markets. Such markets, because of high growth rates, represent at present the more interesting areas of development for SABAF. In addition, the end of the start up phase, as well as high efficiency levels of new machinery, permitted an improvement in operating and net margins."
"We foresee, by the end of the year, further increases in sales and net operating income totalling about 10% compared to those of 1998."

The management of SABAF will meet the financial community at Palazzo Mezzanotte (site of the Italian Stock Exchange, Piazza Affari 6, Milan) on Thursday, the 14th of October, at 17:30.

Attached is a summary of both SABAF's and the Group's financial and economic situations. The reported data has not yet been audited.

Founded in the early 50s, SABAF's constant growth has led them to become Italy's principal gas component manufacturer and among the leading producers in the world.
SABAF's product range can be divided into three main categories: valves, thermostats, and burners, essential to every domestic gas cooker. SABAF's strengths include: year's of technological know-how, production flexibility, and the possibility of offering a vast range of components made specially according to requirements set forth by producers of ranges, cook tops, and built-in ovens, not to mention specific cooking requirements of target markets. This highly specialised industry, where demand is in constant evolution, is always more directed towards quality products that guarantee absolute reliability and safety.
With 376 employees working in four production facilities all located in the province of Brescia, during 1998 SABAF opened a marketing company in Brazil (SABAF do Brasil) and a representative office in Shanghai, China.
On March 24th, 1998, shares of SABAF stock were quoted on the Italian Stock Exchange.

This press release is also available on the web site: www.sabaf.it

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	millions of Lire	**30.06.1999**	**31.12.1998**	**30.06.1998**
A.	FIXED ASSET			
	Intangible	1,986	2,105	2,460
	Tangible	70,784	64,637	55,411
	Financial	696	657	506
	Total fixed assets	**73,466**	**67,399**	**58,377**
B.	NET WORKING CAPITAL			
	Inventories	13,438	10,920	14,591
	Trade receivables	31,865	23,594	27,845
	Other receivables	4,110	3,258	5,260
	Trade payables	(20,624)	(16,641)	(18,873)
	Reserves for risks and contingencies	(9,756)	(8,514)	(7,990)
	Other payables	(9,277)	(4,287)	(9,230)
	Net working capital	**9,756**	**8,330**	**11,603**
C.	CAPITAL EMPLOYED (A+B)	**83,222**	**75,729**	**69,980**
D.	SEVERANCE INDEMNITIES	(3,933)	(3,759)	(3,513)
E.	**NET CAPITAL EMPLOYED (C-D)**	**79,289**	**71,970**	**66,467**
	Financed by:			
F.	GROUP'S PORTION OF SHAREHOLDERS' EQUITY	**73,327**	**70,983**	**66,261**
G.	MINORITY INTEREST IN SHAREHOLDERS' EQUITY	**34**	**33**	**33**
H.	NET FINANCIAL INDEBTEDNESS			
	Medium and long-term debt	5,064	9,164	16,506
	Net medium and long-term debt	**5,064**	**9,164**	**16,506**
	Net short-term borrowings	6,771	3,139	3,076
	Cash and current financial assets	(5,907)	(11,349)	(19,409)
	Net short-term cash	**864**	**(8,210)**	**(16,333)**
	Net indebtedness	**5,928**	**954**	**173**
I.	**TOTAL SOURCES OF FINANCING (F+G+H)**	**79,289**	**71,970**	**66,467**

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

	millions of Lire	1st half 1999	1st half 1998	Full year 1998
A.	**SALES REVENUES**	**54,602**	**51,569**	**97,199**
	Change in inventories of semifinished and finished products	2,434	942	(1,575)
	Increase in assets built internally	474	325	771
	Other revenues	157	69	350
B.	**VALUE OF PRODUCTION**	**57,667**	**52,905**	**96,745**
	Materials consumed and services	(27,567)	(25,175)	(46,014)
C	**VALUE ADDED**	**30,100**	**27,730**	**50,731**
	Cost of labour	(11,373)	(10,585)	(20,332)
D.	**GROSS OPERATING PROFIT**	**18,727**	**17,145**	**30,399**
	Amortisation, depreciation and writedowns	(5,802)	(4,759)	(10,282)
	Provision to risk reserves	0	0	0
	Other operating expenses	(456)	(440)	(819)
E.	**NET OPERATING PROFIT**	**12,469**	**11,946**	**19,298**
	Net financial expense	(430)	(541)	(325)
	Writedowns of financial investments	144	0	(144)
F.	**PROFIT FROM ORDINARY OPERATIONS**	**12,183**	**11,405**	**18,829**
	Net non recurring expenses	0	(9)	(8)
G.	**PROFIT BEFORE TAXATION**	**12,183**	**11,396**	**18,821**
	Income taxes for the year	(4,995)	(5,183)	(7,886)
H.	**NET PROFIT FOR THE PERIOD**	**7,188**	**6,213**	**10,935**
I.	Minority interest in net profit	(1)	(1)	(1)
L.	**GROUP’S PORTION OF NET PROFIT**	**7,187**	**6,212**	**10,934**

SABAF S.P.A RECLASSIFIED BALANCE SHEET

	millions of Lire	**30.06.1999**	**31.12.1998**	**30.06.1998**
A.	FIXED ASSET			
	Intangible	2,318	2,419	2,796
	Tangible	40,776	36,411	31,098
	Financial	1,351	1,433	1,396
	Total fixed assets	**44,445**	**40,263**	**35,290**
B.	NET WORKING CAPITAL			
	Inventories	13,439	10,920	14,591
	Trade receivables	31,865	23,595	27,845
	Other receivables	14,079	13,455	7,649
	Trade payables	(20,613)	(16,625)	(18,868)
	Reserves for risks and contingencies	(3,870)	(3,930)	(4,358)
	Other payables	(9,264)	(4,287)	(9,213)
	Net working capital	**25,636**	**23,128**	**17,646**
C.				
	CAPITAL EMPLOYED (A+B)	**70,081**	**63,391**	**52,936**
D.	SEVERANCE INDEMNITIES	(3,933)	(3,759)	(3,513)
E.	**NET CAPITAL EMPLOYED (C-D)**	**66,148**	**59,632**	**49,423**
	Financed by:			
F.	SHAREHOLDERS' EQUITY	**64,975**	**64,465**	**61,792**
G.	NET FINANCIAL INDEBTEDNESS			
	Medium and long-term debt	2,414	5,408	5,725
	Medium and long-term receivables	0	0	0
	Net medium and long-term debt	**2,414**	**5,408**	**5,725**
	Net short-term borrowings	4,419	709	766
	Cash and current financial assets	(5,660)	(10,950)	(18,860)
	Net short-term cash	**(1,241)**	**(10,241)**	**(18,094)**
	Net indebtedness (cash)	**1,173**	**(4,833)**	**(12,369)**
H.	**TOTAL SOURCES OF FINANCING (F+G)**	**66,148**	**59,632**	**49,423**

SABAF S.P.A RECLASSIFIED STATEMENT OF INCOME

	millions of Lire	**1st half 1998**	**1st Haifa 1998**	**Full year 1998**
A.	**SALES REVENUES**	**54,602**	**51,569**	**97,199**
	Change in inventories of semifinished and finished products	2,434	942	(1,575)
	Increase in assets built internally	474	325	771
	Other revenues	172	76	365
B.	**VALUE OF PRODUCTION**	**57,682**	**52,912**	**96,760**
	Materials consumed and services	(29,036)	(26,652)	(48,956)
C	**VALUE ADDED**	**28,646**	**26,260**	**47,804**
	Cost of labour	(11,371)	(10,582)	(20,328)
D.	**GROSS OPERATING PROFIT**	**17,275**	**15,678**	**27,476**
	Amortisation, depreciation and writedowns	(7,582)	(5,550)	(12,781)
	Provision to risk reserves	0	0	0
	Other operating expenses	(446)	(420)	(787)
E.	**NET OPERATING PROFIT**	**9,247**	**9,708**	**13,908**
	Net financial income (expense)	(227)	(288)	188
	Writedowns of financial investments	23	(115)	(374)
F.	**PROFIT FROM ORDINARY OPERATIONS**	**9,043**	**9,305**	**13,722**
	Net non recurring expenses	0	0	0
	PROFIT BEFORE TAXATION	**9,043**	**9,305**	**13,722**
	Income taxes for the year	(3,690)	(4,322)	(6,066)
G.	**NET PROFIT FOR THE PERIOD**	**5,353**	**4,983**	**7,656**